

# **FREQUENTLY ASKED QUESTIONS**

## **COVE IMPROVEMENT DISTRICT**

**Updated April 16, 2005**

### **WHAT IS THE COVE IMPROVEMENT DISTRICT?**

The Cove Improvement District is an assessment district being proposed for property owners in the Cove to respond to the mandate of State law AB 358 that prohibits the use of septic tanks in the Cove after January 1, 2012.

There are approximately 1,500 properties located in the Cove. The Cove Improvement District spreads the cost among all the property owners based upon benefit received. The cost can be paid off up front or paid over a 30-year period. Property owners will be assessed their share for the Cove Improvement District on annual Riverside County Property Tax Bills sent from the Office of the Treasurer-Tax Collector.

### **WHAT KIND OF IMPROVEMENTS WILL THE COVE IMPROVEMENT DISTRICT PROVIDE?**

The assessment portion of the Cove Improvement District will include the construction of the sewer lines within street right-of-way, construction of sewer laterals to each individual property, and reconstruction of the entire Cove street system to meet current fire and safety requirements.

In addition, connection fees that must be paid to Desert Water Agency (DWA) and the Coachella Valley Water District (CVWD) may, at the option of each property owner, be included as part of the assessment district cost. The work that that needs to be done on private property, including the hookup line from the house to the sewer laterals and the abandonment of the existing septic tank system, will be paid directly by each property owner.

### **WHAT ARE THE COSTS OF THE PROJECT?**

Total cost of the project and the cost for each property owner are now available. This information is located on the City's website, [www.cathedralcity.gov](http://www.cathedralcity.gov). Ballots for the Cove Improvement District will be mailed out after April 18th and your costs will be clearly printed on the ballots. The project cost is \$38.1 million. The City has received \$5.3 million in State grants for the project. This leaves \$32.8 million to be financed through bond financing among the approximate 1,500 property owners in the Cove Improvement District. The typical cost for a single-family home parcel is \$20,980 which equates to an annual tax bill assessment of \$1,678 over a 30-year period.

**WILL ASSESSMENT COSTS EVER INCREASE DUE TO INFLATION INCREASES?**

No. The final exact cost takes into consideration the expected increases in material and labor costs during the duration of the project.

**WILL ASSESSMENT COSTS EVER DECREASE?**

Possibly. If project costs are less than projected, there could be a rebate to all of the property owners. There could also be rebates if the City is successful in its efforts to obtain additional Federal and State grants. Also, any excess funds could be used for future maintenance. On April 13th, the City Council adopted a Resolution stating that all grant funds received for the Cove will be used to reduce the property tax assessments for the property owners in the Cove Improvement District.

**WHAT HELP IS THE COVE GETTING FROM FEDERAL AND STATE GOVERNMENTS?**

So far, the City has obtained two State Proposition 13 (2000 Water Bond) grants totaling \$5.3 million. Efforts are currently underway through a joint application with the Desert Water Agency to obtain additional grants through State Proposition 50 (2002 Water Bond) in this year's and next year's funding cycle. Conversations with key government officials at both the State and Federal level are also underway to identify additional grant resources.

**WILL EVERY PROPERTY IN THE COVE BENEFIT FROM THE \$5.3 MILLION SEWER GRANT?**

Yes. If the proposed Cove Improvement District is formed, the \$5.3 million grant would be equally distributed among all the property owners included in the District.

**WHY IS THE TIME SCHEDULE BEING ACCELERATED ALL OF A SUDDEN?**

The time schedule is not being accelerated but rather we are nearing the end of a process that began in 1993. State AB 358 which created the mandate for sewers in the Cove was passed in October 2001. The City was awarded the first Proposition 13 grant of \$2.8 million in October 2002 which took 16 months to process. The second Proposition 13 grant of \$2.5 million was awarded in January 2004. A Community Petition of 53% of the property owners was certified by the City Council in July 2004 which enabled the City Council to authorize the expenditure of approximately \$800,000 for the engineering and cost studies that are now underway. There is, however, a time urgency to meet the time deadlines on both of the Proposition 13 grants.

## **WHY IS RECONSTRUCTION OF STREETS INCLUDED IN THE DISTRICT?**

Given the current condition of most streets in the Cove, the engineers have determined that the demolition and patching of existing streets required for sewer lines and laterals will further deteriorate the streets to the point of complete breakdown. To build a sewer system, it is required that sewer lines be separated 10 feet from water lines. In the Cove, trenches will be over 20 feet in depth to meet this requirement. To create trenches this deep, the cuts in the streets cannot just be done straight down. There will need to be a rise/run ratio of 2:1 or 3:1 cuts. In many places the size of the cuts would be 40 feet which is about the footprint of the existing pavement in many places. With this type of work, most of the existing pavement area will be included in the construction area for the project; what pavement remains will be weakened. In addition, safety vehicles cannot reach some areas, drainage is poor, and smooth streets connected to curb are needed to protect properties from flooding. Street reconstruction is therefore a necessary element of the project.

## **WHY DOESN'T THE CITY PAY FOR THE RECONSTRUCTION OF THE STREETS?**

Out of the thousand dollars in property taxes paid annually by each household, an average of only \$13.82 goes to the City's General Fund to pay for basic services like police, fire, streets, etc. In Cathedral City, all neighborhood street construction is funded through the assessment district process. Most streets in the Cove were constructed prior to 1981 when Cathedral City was incorporated as a City. Because Cathedral City is a "post-Proposition 13 City," State law limits the amount of property taxes which the City receives. The total amount of money the City receives each year from property taxes for the General Fund is about \$800,000. Due to these severe budget limitations, City policy is to only use the General Fund for the City's major streets.

## **WHY DOESN'T THE CITY'S REDEVELOPMENT AGENCY PAY FOR SEWERS AND STREETS?**

The Redevelopment Agency (RDA) and the City will pay their share of the property assessments within the Cove Improvement District. The City owns 20 parcels with an estimated assessment of \$280,000. The RDA owns approximately 133 parcels with an estimated assessment of approximately \$1.8 million. The annual payment for these assessments is estimated to be \$22,400 for the City properties and \$144,000 for the RDA properties.

The RDA also uses a portion of its annual funding (called the housing Set-Aside Fund) to pay for the sewer, street and hook-up costs for low and moderate income home owners. "Set-Aside" funds may only be used to assist low to moderate income households; they cannot be used to subsidize vacation homes, commercial or investment properties, or high-income households. This is the same assistance program that has assisted low and moderate income households in all of the other street and sewer assessment districts in the City. For the past 15 years, the RDA has paid 100% of the assessment costs for very low-income homeowners, 60% to 80% for lower-income owners, and 40% of the cost for moderate-income homeowners.

## **HOW DOES A PROPERTY OWNER QUALIFY FOR REDEVELOPMENT AGENCY ASSISTANCE?**

Qualifications depend upon household income for property owners in the house that they own and occupy. Investment properties do not qualify. Assistance is available for one-person households with incomes up to \$45,600 per year, up to \$52,100 per year for two-person households and \$65,150 per year for three-person households. The City's Housing Department's phone number is (760) 770-0364. Information can also be found on the City's website [www.cathedralcity.gov](http://www.cathedralcity.gov) under the Housing Department.

## **HOW WILL PROPERTY OWNERS PAY FOR THE ASSESSMENT COSTS?**

All property owners will have a broad array of choices to pay assessment costs depending upon each property owner's individual circumstances and desires. Options include:

- Pay the annual Cove Improvement District assessment on your annual property tax bill over a 30-year period.
- Pay the annual Cove Improvement District assessment plus the DWA connection fees on your annual property tax bill over 30 years.
- The Redevelopment Agency pays all or part of the assessment cost if you qualify annually for their low/moderate income housing assistance program.
- Pay the entire share of cost up front saving all financing costs. (This would need to be during the cash collection period for the Cove Improvement District Bonds, which is estimated to end the first week of July 2005.) *If paid in full during the cash collection period, there is will be an approximate 10% discount that will reduce your assessment.*
- Pay a portion of the cost share up front to reduce the annual assessment on your property.
- Utilize a portion of your property's equity through a home equity loan to pay the assessment in full or to make a partial contribution.
- Pay off the assessment balance at any time during the 30 years. (This option does not include a cash discount and there is a 2-3% pre-payment penalty for the amount paid in full.)

## **IS THE ASSESSMENT COST TAX DEDUCTABLE?**

Ultimately the decision, as to whether or not your assessment is partially or fully tax deductible, must be made by your tax advisor or accountant. As a guideline, please refer Publication No. 530 on the Internal Revenue Service (IRS) website, "www.irs.gov."

## **WILL ANY OF THE STREETS BE WIDENED?**

For most streets, the curb locations will be approximately where they are now. Some streets will be widened within the existing right-of-way to meet the design requirements for street improvements. Private streets will require either dedication to the City for the needed Right-of-Way or dedication of an easement for DWA to operate and maintain the sewer system.

## **WHAT KIND OF CURBS WILL BE USED?**

The curbs for this project will be concrete. There will be three different types of curbing depending on the condition of the curbs on your street. The project engineers will work closely with the neighbors on each street to determine the best approach to curbing.

- 1) Where there are no curbs in place, or where asphalt curbs exist, concrete wedge curbs will be provided. Wedge curbs are higher than rolled curbs and provide the same drainage protection as vertical curbs. In addition, wedge curbing is considered a less urbanized look. If there is no consistent concrete curb type on your street, it is planned that your street will have wedge curbs. In addition, if the existing curb-line has to be changed for this project, then wedge curbs will be installed.
- 2) If your street has existing concrete vertical curbs in good condition and located at the correct edge of pavement, they will remain in place. In this case, your assessment will be lower because there will be no curb or driveway work required for the project.
- 3) If your street has existing rolled curbs in good condition and they are located at the correct edge of pavement, they will remain in place. In this case, your assessment will be lower because there will be no curb or driveway work required for the project.

## **WILL SPEED CONTROLS BE PART OF THE STREET IMPROVEMENTS?**

There will be no speed controls such as speed bumps. The narrowing of streets where practical and intersection redesigns in certain areas will be part of the plan.

## **WILL MAILBOXES BE REPLACED OR RELOCATED? WHO PAYS FOR THIS?**

Mailboxes will be relocated if curbs have to be relocated, and will only be moved if necessary to meet regulations from the United States Post Office for mail delivery. There may also be the opportunity for a property owner to request a standard mailbox replacement, and if so, the cost will be a very nominal increase for the specific property owner making the request. (The actual cost for this has not yet been determined.) A property owner might be asked to consider the replacement option if the existing mail box is in poor condition and cannot be relocated without damaging the unit.

## **WILL ANY OTHER PUBLIC INFRASTRUCTURE IMPROVEMENTS BE DONE?**

Yes. Desert Water Agency (DWA) will be upgrading its water distribution system where needed throughout the Cove and surface drainage improvements will be made along Terrace Road. The costs of these improvements will not be a part of the Cove Improvement District.

## **CAN ABOVE GROUND UTILITIES BE RELOCATED UNDERGROUND AS PART OF THE PROJECT?**

A preliminary cost estimate for under grounding electrical, phone and cable systems indicate that these improvements would be \$50,000 to \$80,000 per house plus the cost of underground wiring from the public right-of-way to the connection point on each property. The Cove Steering Committee reviewed the costs, found them to be prohibitive, and therefore did not support pursuing utility relocation in the Cove as part of this project.

## **HOW LONG WILL THE PROJECT TAKE?**

If the Cove Improvement District vote passes, construction of the first of four phases will begin in fall 2005. Preliminary estimates indicate that each phase will take approximately 10 months to complete so that the entire project will take 40 months or so (3 1/2 years). Time savings may be identified during the final design phase of the project.

## **WHAT HAPPENS IF THE DISTRICT FAILS TO PASS?**

There will be significant negative consequences for both the City and Cove property owners if the vote fails. Degradation of the underground water supply will continue. The unanswered question pertaining to the 2012 mandate from AB 358 will cloud property titles causing property values to decline. If sewers are not installed by January 1, 2012, the State's Regional Water Quality Control Board (RWCQB) could implement enforcement orders to prevent property owners from using their properties and also could impose a \$1,000 per day fine.

The \$5.3 million in awarded grants will be at risk if the deadlines are not met, and it will be almost impossible to get future grant funding for this project if these funds are given back to the State. The City would also have to repay the \$800,000 in engineering costs spent on the project to date from the General Fund.

## **WHEN WOULD ASSESSMENTS BE PLACED ON PROPERTY TAX BILLS?**

If the Cove Improvement District is approved, bonds would be sold in late July and early August of 2005. The project would begin construction in fall and the property tax bills sent out from Riverside County in November 2005 would include the Cove Improvement District Assessment. If you qualify to receive financial assistance from the City, you would bring your property tax bill to the City's Housing Department and the City would provide you with assistance funds to pay your assessment. The City's Housing Department phone number is (760) 770-0364, and applications for assistance are available now. You might also want to inquire about other housing related financial assistance programs available from the City related to DWA sewer connection fees, hooking up to the sewer lateral on from your property and other home repairs items you might have.

## **ADDITIONAL INFORMATION:**

### **THE COVE BOUNDARIES**

The Cove area is bounded to the south by the Cathedral City Limits; to the north, the North Cathedral Canyon Channel; to the west, the West Cathedral Canyon Channel; and to the east, the East Cathedral Canyon Channel. (Please see attached Cove Boundary Map.)

The Cove boundaries have been formally adopted by RWQCB as part of the requirements of Assembly Bill (AB) 358. These boundaries for the Cove define the area governed by AB 358 which prohibits properties within the Cove from using septic tanks as of January 1, 2012.

### **ASSEMBLY BILL 358**

AB 358 was sponsored by former Assemblyman Dave Kelley, representing the 80th Assembly District, which includes the City of Cathedral City Cove area. The State Legislature passed AB 358 and it was signed into law by Governor Gray Davis in October 2001.

AB 358 requires that septic tank use be eliminated in the Cathedral City Cove by January 1, 2012. AB 358 was passed by the State in response to RWQCB's and the Desert Water Agency's (DWA) finding that the long-term use of septic tanks in the Cove is contributing to the degradation of the Coachella Valley underground aquifer and water supply.

DWA prepared a water quality study for the Cove in 1993 and updated it in 2001. Bacteria and nitrates common to the use of septic systems were found in well test sites in the Cove area. Both DWA studies identified the Cove as contributing to degradation of the area's water quality from the prolonged usage of septic tanks.

The City was hoping that funding for the Cove sewers would be included in the bill; however, no funding was provided. AB 358 does state that the State Water Resources Control Board will assist the City in identifying and obtaining funds for the project.

### **COVE SEWER GRANT INFORMATION**

Based upon the mandate in AB 358 for a sewer system in the Cove, the City was awarded \$5.3 million in grant funds from the State of California's 2000 Water Bond Act (also known as Proposition 13). The funds were awarded as follows: \$2.8 million in 2002 and \$2.5 million in 2003 from Proposition 13.

The \$5.3 million State Proposition 13 Grant Awards requires a 20 percent local match, which is approximately \$1.1 million. The matching funds are proposed to come from the Cove Improvement District, if it is formed. The State approved the grant funds for the Cove sewers in two funding cycles. The funds have a "use it or lose it" type of clause and must be used by certain dates. The Grant Awards were made in 2002 and 2003 and have the respective dates of March 2006 and March 2007 to construct sewers in the Cove. If the funds are not spent for construction by those dates, the City risks losing the funding altogether and/or having to pay the State back for any grant funds spent on the project to date.

## **COVE IMPROVEMENT DISTRICT COSTS AND OTHER RELATED COSTS**

**Below is a list of all the costs property owners could incur as a result of the proposed Cove Improvement District:**

**1. Cove Improvement District Assessment on Property Tax Bill-----\$20,980—typical assessment**

\$20,980 is the typical amount that a single-family home parcel would be assessed in the Cove Improvement District.

The assessment is less when your curbs remain and will be more on streets where curbs are to be constructed. Commercial properties, multi-family properties and churches are assessed using established formulas for these types of properties.

**2. Desert Water Agency (DWA) Sewer Fee-----\$ 3,750 per hookup**

The DWA fee also includes the Coachella Valley Water District (CVWD) charge of \$2,600 for wastewater treatment. The DWA fee is \$1,150.

The fees are combined, totaling \$3,750.

DWA will operate and maintain the sewer system and CVWD will treat the wastewater from the Cove.

**3. Construction cost for each private property to connect to sewer:**

**a. Septic tank permanent sealing and abandonment:-----\$ 500-1500 per Septic**

This estimate is based upon average costs local contractors in the Coachella Valley charge to abandon and permanently seal septic tanks.

**b. Front Yard Hook-ups: Price Range:-----\$ 2,000-\$3,000 per hook-up**

**c. Rear Yard Hook-ups: Price Range:-----\$ 3,000-\$4,000 per hook-up**

These estimates are based upon responses from local plumbing contractors, who were asked by the City to provide the average cost for property owners to hook-up to the sewer lateral at their property line. These are only estimates; your property may have conditions that require additional costs.

**4. Cost of DWA average monthly sewer bill in Cathedral City.**

**Residential** - \$24 per month per EDU

**Commercial** - \$3 per EDU per month, plus 0.82 cents per 100 cubic feet of water usage  
(Commercial properties have a minimum charge of \$24 per month)



## **PRIVATE STREET INFORMATION**

### **1. How did the City come to have private streets?**

Private streets were in place when the City was incorporated in 1981. They were originally built when the area was under the jurisdiction of Riverside County.

### **2. Assuming that sewers are built in the Cove, will the City acquire the private streets?**

Private streets could be accepted if they are improved to current standards and approved by City Council.

### **3. Who originally designed the Cove to have private streets?**

The original property owners who subdivided the original large parcels created the long driveways so each lot would have access on a public street.

### **4. Are Assessments on private streets different from public streets?**

No. Assessments on private streets will not differ from public streets. Assessments in the Cove Improvement District will be equitable and properties on private streets will be assessed based upon the same criteria as properties on public streets. However, private streets will either need to be dedicated to the City, or sewer easements granted so that DWA can service the sewers once they are built.

### **5. Could the private street owners do the work themselves then deed it over to the City?**

Yes. Private streets could install the sewers and reconstruct the streets, as long as the improvements meet City and DWA standards. The streets would still need to be dedicated to the City in order for DWA to provide service for the sewers.

### **6. Will private street property ballots reflect the Right-of-Way dedication or easement?**

Yes. Because Right-of-Way will either need to be dedicated to the City or easements obtained so that DWA can service the streets the sewers once they are built, a dollar amount has been calculated for this purpose. The amount of your assessment will include the cost of an easement or Right-of-Way with an estimated cost. Under the law, you will have two choices regarding the assessment for the easement. 1) You can choose to reduce your assessment if you grant the easement at no cost, or 2) you can choose to leave the amount as part of the assessment and be paid for the easement if the assessment is approved and after bonds are issued. *Once the Right-of-Way or easement is dedicated, this cost will become a 'wash' and your assessment will only be for the Cove Improvement District sewer/street improvement costs.*

## **PROJECT SCHEDULE**

### **COVE IMPROVEMENT DISTRICT**

✓ City accepted petitions from Cove property owners so that preliminary engineering and balloting could be considered for proposed Cove Improvement District	July 2004
✓ City hired engineering team for project	October 2004
✓ Cove Steering Committee established & meets every two weeks	January 2005
✓ Community Meetings to discuss engineering information	Feb. 21 & 22, 2005
✓ Community Meeting to present detailed costs	March 14, 2005
✓ All day workshop at City Hall for Cove property owners to have one-on-one time with engineers and City staff	March 30, 2005
✓ City Council Action required to begin voting period	April 13, 2005
✓ City Council sets public hearing on June 8, 2005 at 6:30 p.m. to tabulate ballots for Cove Improvement District ✓	April 13, 2005
City Council/Redevelopment Agency meeting to consider contribution of \$1.1 million of Redevelopment funds to the Cove Improvement District	April 18, 2005
Ballots will be sent out to all Cove property owners; Voting period is no less than a 45 day period (Property owners will be able to mail in ballots or drop them off at the City Clerk's office at City Hall)	April 19, 2005 to June 8, 2005 (voting ends at June 8 <sup>th</sup> Public Hearing at 6:30 p.m., City Hall)
City Council tabulates votes at Public Hearing	June 8, 2005 6:30 p.m., City Hall
If Cove Improvement District is approved, annual Assessments will be placed on property tax rolls	August 2005
First Cove Improvement District Assessment payment due on property tax bill	November 2005
Final Engineering Plans and Bid Documents	May 2005 to December 2005
Project Construction	Late fall 2005 to June 2009